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MARKET RELEASE

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EBOS 2023 Half-Year Results

EBOS HAS ACHIEVED ANOTHER RECORD HALF YEAR RESULT DRIVEN BY BOTH ORGANIC GROWTH AND THE CONTRIBUTION FROM ACQUISITIONS

Half-Year Highlights

- Revenue of $6.1 billion (up 17.0%)
- Underlying EBITDA of $289.2 million (up 39.3%)
- Underlying NPAT of $141.6 million (up 29.6%)
- Underlying EPS of 74.5 cents (up 12.0%)
- Interim dividend declared of NZ 53.0 cents per share (up 12.8%)
- Continued strong performances from both our Healthcare and Animal Care segments:
  - Healthcare Underlying EBITDA up 37.6% driven by organic growth and contribution from acquisitions completed in FY22. LifeHealthcare performed in-line with expectations
  - Animal Care EBITDA up 31.5% reflecting strong market conditions and benefits of the investment in our pet food manufacturing facility
- Net Debt : EBITDA of 1.76x (1.94x at June 2022) reflecting a strong cash flow performance

$m[1,2]	Underlying Results[3]		Statutory Results	
Total Revenue	$6,145.7m	up 17.0%	$6,145.7m	up 17.0%
EBITDA	$289.2m	up 39.3%	$289.2m	up 44.7%
EBIT	$239.5m	up 41.6%	$226.0m	up 40.1%
Net Profit after Tax	$141.6m	up 29.6%	$132.2m	up 29.8%
Earnings per Share[4]	74.5 cents	up 12.0%	69.6 cents	up 13.3%
Interim Dividend per Share			NZ 53 cents	up 12.8%
EBITDA margin	4.71%	up 76bp	4.71%	up 90bp
Operating Cash Flow	$161.1m	up 40.6%	$161.1m	up 50.8%
ROCE	14.4%	down 3.8%		
Net Debt : EBITDA[5]	1.76x	down 0.18x		

[1] All amounts included are denoted in Australian dollars unless otherwise stated.
[2] Comparisons shown to prior corresponding period with exception of Net Debt : EBITDA, which is compared to June 2022.
[3] Underlying earnings for the 31 December 2022 period exclude the amortisation (non-cash) expense attributable to the LifeHealthcare acquisition purchase price accounting (PPA) of finite life intangible assets ($13.5m pre tax, $9.4m post tax). Underlying earnings for the 31 December 2021 period exclude transaction costs incurred on M&A ($7.8m pre tax, $7.4m post tax). Refer to Appendix 1 for details.
[4] Underlying EPS calculated as Underlying NPAT divided by the weighted average number of shares on issue.
[5] Calculated in accordance with banking covenants.

EBOS Group Limited ("EBOS" or the "Group") today announced another record result for the first half of the 2023 financial year, with key highlights including revenue growth of 17.0%, Underlying EBITDA growth of 39.3% and Underlying NPAT growth of 29.6%.

The strong growth and earnings trajectory continues EBOS' long-term track record of delivering for its shareholders and is a testament to the combined efforts of our employees across New Zealand, Australia and Southeast Asia.

In commenting on today's results announcement, EBOS Chief Executive Officer, John Cullity said:

"We are pleased to report another record profit for EBOS driven by both continued strong organic growth across our Group businesses as well as substantial contribution from acquisitions, reflecting the benefits of our strategy of investing for growth. The strength and diversity of our portfolio of businesses is reflected as both our Healthcare and Animal Care segments contributed strongly to the overall result and we successfully executed our strategy of pursuing both organic and inorganic growth."

Our Healthcare segment benefitted from its leading market positions and had strong contributions from each of our Community Pharmacy, TerryWhite Chemmart ("TWC"), Institutional Healthcare and Contract Logistics divisions and businesses. Each of our divisions in the Healthcare segment recorded double-digit gross operating revenue ("GOR") growth with Institutional Healthcare recording particularly strong growth due to contribution from acquisitions.

The Animal Care segment continued its strong performance with each of our key brands and divisions – Black Hawk, Vitapet and Lyppard – as well as our Animates joint venture, recording robust growth. Our pet food manufacturing facility is successfully operating and delivering commercial production rates that meet Black Hawk demand and support our strategy of new product development.

In FY22 EBOS completed five acquisitions to significantly expand its medical consumables and medical technology (previously known as medical devices) distribution businesses. The integration of these businesses is well progressed and in line with expectations. These acquisitions are recorded within the Institutional Healthcare division and contributed to substantial growth in H1 FY23.

In commenting on today's result, EBOS Chair, Elizabeth Coutts said:

"It is pleasing to see EBOS continue its strong growth trajectory and deliver value for our stakeholders. The significant growth in our earnings reflects our strategy of pursuing organic growth and investing for growth across both our Healthcare and Animal Care businesses. The success we have achieved over the long term is the result of the combined efforts of our approximately 5,000 employees across New Zealand, Australia and Southeast Asia. On behalf of the Board I would like to acknowledge their commitment to our businesses and the communities they serve."

Healthcare

Healthcare ($m)	31 Dec 2022	31 Dec 2021	Growth
Revenue	$5,854.6m	$4,976.9m	17.6%
Statutory EBITDA	$255.0m	$177.5m	43.7%
Underlying EBITDA[6]	$255.0m	$185.2m	37.6%
Underlying EBITDA margin	4.35%	3.72%	63bp

Our Healthcare segment generated revenue of $5.9 billion and Underlying EBITDA of $255.0 million, an increase of 17.6% and 37.6% respectively on the prior corresponding period. This performance was driven by our leading market positions and strong contributions from our Community Pharmacy, TWC, Institutional Healthcare and Contract Logistics divisions and businesses. Each of our divisions in the Healthcare segment recorded double-digit GOR growth, with Institutional Healthcare recording particularly strong growth due to contribution from acquisitions completed in FY22.

In Australia, Healthcare revenue increased to $4.8 billion and Underlying EBITDA increased to $203.4 million, an increase of 20.8% and 35.4% respectively. In New Zealand & Southeast Asia, Healthcare revenue increased to $1.1 billion and Underlying EBITDA increased to $51.6 million, an increase of 5.7% and 47.3% respectively.

Community Pharmacy revenue increased by $578.6 million (up 18.4%), driven by customer and market share growth, a strong performance from our community pharmacy retail brands including TWC, above market growth in ethical sales to our major wholesale customers and sales growth of high value specialty medicines. In addition, the result benefited from higher sales of COVID-19 related products including anti-viral medications and cold and flu OTC products.

Our TWC franchise continues its expansion with an additional 26 net new stores joining the network during the half. The network now comprises greater than 540 stores nationally. This builds on growth in prior years and further strengthens TWC's position as Australia's largest health advice-oriented community pharmacy network. TWC network sales demonstrated strong performance with 18.6% total growth and 15.8% like-for-like growth. A continued focus and investment in our TWC catalogue and promotional program, increases in media spend, growth in our consumer brands and the development of the myTWC App, which provides customers with a convenient and safe way to order and manage medications and bookings, all reinforced TWC's positive performance.

Institutional Healthcare generated strong revenue growth of $285.6 million (up 19.4%) and GOR growth of $128.7 million (up 81.3%), driven by the contributions of five acquisitions completed in FY22, as well as growth in Symbion Hospitals.

[6] Underlying earnings for the 31 December 2022 period exclude the amortisation (non-cash) expense attributable to the LifeHealthcare acquisition purchase price accounting (PPA) of finite life intangible assets ($13.5m pre tax, $9.4m post tax). Underlying earnings for the 31 December 2021 period exclude transaction costs incurred on M&A ($7.8m pre tax, $7.4m post tax). Refer to Appendix 1 for details.

The acquisitions included Pioneer Medical, Sentry Medical, MD Solutions, LifeHealthcare and a small medical consumables distributor, which together significantly expanded our presence in medical consumables and medical technology (previously known as medical devices) distribution.

Further progress has been made during the period on the integration of LifeHealthcare into the Group's enlarged medical technology division. LifeHealthcare's financial performance was in-line with expectations, providing significant earnings growth for the Group. Management now anticipates that implementation of the integration activities to be undertaken in the second half of the financial year will result in one-off costs of approximately $12.5 million. The integration activities and expected costs include rationalisation of operating sites and inventory lines, IT systems integration and stamp duty. The financial benefits from these activities will be realised in FY24 and beyond.

Contract Logistics increased GOR by $15.7 million (up 26.0%), attributable to growth in Australia from new and existing principals and growth in New Zealand from continued demand for storage and servicing of protective equipment.

The Healthcare segment continued to invest in its operational infrastructure to support its growth, including the construction of new contract logistics distribution centres in Auckland (nearing completion) and Sydney (ongoing with an expected opening in late 2023).

Animal Care

Animal Care ($m)	31 Dec 2022	31 Dec 2021	Growth
Revenue	$291.2m	$274.0m	6.3%
EBITDA	$51.0m	$38.8m	31.5%
EBITDA margin	17.5%	14.1%	340bp

Our Animal Care segment generated revenue of $291.2 million and EBITDA of $51.0 million, an increase of 6.3% and 31.5% respectively on the prior corresponding period. This growth was driven by strong performances from our leading brands and businesses (Black Hawk, Vitapet and Lyppard), the benefits of our new pet food manufacturing facility and growth in Animates, our New Zealand pet retail joint venture.

Strong pet market conditions have continued and our brands and businesses have benefitted from this. Black Hawk and Vitapet increased sales by 15.2% and 6.3% respectively on the prior corresponding period and continued to maintain share leadership in their respective segments.

Our new pet food manufacturing facility is successfully operating with commercial production rates meeting demand. The facility is enhancing our local supply chain capabilities and providing a competitive advantage for the Black Hawk range.

Cash Flow, Net Debt and Return on Capital Employed

The Group generated underlying operating cash flow of $161.1 million, a 40.6% increase on the prior corresponding period. This result benefited from both strong earnings growth and our continued disciplined approach to managing working capital.

Return on Capital Employed ("ROCE") of 14.4% was below December 2021 by 3.8% and is in-line with expectations. The reduction in ROCE was due to the long-term investment in building our position in the medical technology distribution sector through the acquisition of LifeHealthcare. The Group maintains its 15% ROCE target and aims to exceed this level again in the medium term.

Net Debt : EBITDA ratio at 31 December 2022 was 1.76x (1.94x as at 30 June 2022) reflecting strong cash flow and earnings growth[7]. Current gearing is within our target range and the Group is well positioned to support further growth opportunities, with approximately $400 million of debt headroom.

The Underlying EPS growth rate of 12.0% is lower than the Underlying NPAT growth rate of 29.6% due to the impact of capital raisings in FY22.

Supply Side Constraints and Cost Increases

Despite operational challenges resulting from supply side constraints, including manufacturer out of stocks, availability of staff and other key inputs, the Group has delivered another strong performance. EBOS' key cost items within the Group are cost of goods sold, labour, freight and rent. With the current inflationary environment, we have experienced increases in these key cost items to varying degrees across our businesses (other than fixed regulated cost items).

Each business has various strategies to mitigate these increases and preserve margins. Our Group Underlying EBITDA margin increased in H1 FY23 by 76 bp as a result of these strategies and acquisitions of higher margin businesses.

Sustainability and Community

FY22 and the first half of FY23 were significant periods for EBOS' ESG Program as we progressed new initiatives and accelerated our ambitions to be a carbon neutral company.

The EBOS Board took decisive action towards carbon neutrality by approving the scoping of an 18.8MW solar array which is forecast to meet all of the Group's Australian electricity requirements by FY27.

[7] Net debt excludes a put option liability of $137 million, representing the estimated consideration to acquire the remaining 49% equity ownership of the Transmedic business not currently owned by the Group, if the option is exercised.

The first phase of this major infrastructure investment includes a 240kW roof-mounted array at our pet care manufacturing facility at Parkes, NSW. Phase One installation is on target for completion this year. We are now preparing to deliver the second phase of the project, a 6MW ground-mounted solar system, which is expected to be completed in FY24.

Last year we set a target to become Carbon Neutral for Scope 1 emissions during FY23. These emissions include but are not limited to emissions from refrigerants and company motor vehicles and are on track to be measured and offset prior to the end of the financial year.

We have recently developed a new Ethical Sourcing Strategy which aims to engage suppliers that are aligned to EBOS' corporate values. The strategy is supported by a Supplier Code of Conduct and an Ethical Sourcing Policy which outlines specific supplier requirements on child labour, employee payments and anti-discrimination and harassment.

Over our 100 years of history, EBOS has built strong and enduring connections with communities in New Zealand and Australia. Central to these relationships is helping to raise funds for, and support, organisations striving to save and change lives.

Our company and employees supported organisations including Ovarian Cancer Australia, BackTrack, LandSAR, FightMND, Cerebral Palsy Alliance's Steptember fundraiser and many more.

Following the recent weather events in New Zealand our teams ensured that supply channels remained opened to continue to serve the local communities. In one instance our Onelink and Healthcare Logistics operations combined with the New Zealand Defence Force and Health NZ to deliver urgent medicines and medical consumables into Whangarei hospital in the Northland region due to road closures and flooding following Cyclone Gabrielle. This is another example of the critical importance our healthcare businesses are to the supply of medicines and related products across New Zealand and Australia and underlines the commitment of our people in times of natural disasters.

In December 2022, the External Reporting Board published compulsory Climate Related Disclosures that EBOS will need to disclose commencing in FY24. EBOS is currently preparing for these Government mandated disclosures to ensure we meet the requirements.

We look forward to providing a more detailed account of our ESG Program in our 2023 Sustainability Report.

Interim Dividend

The Directors declared an interim dividend of NZ 53.0 cents per share, an increase of 12.8% on the prior corresponding period. This implies a dividend payout ratio of 69.8%[8].

The Dividend Reinvestment Plan ("DRP") will be operational for the interim dividend. Shareholders can elect to take shares in lieu of a cash dividend at a discount of 2.5% to the volume weighted average share price ("VWAP").

The record date for the dividend is 3 March 2023 and the dividend will be paid on 17 March 2023. The dividend will be imputed to 25% for New Zealand tax resident shareholders and fully franked for Australian tax resident shareholders.

Outlook

EBOS is pleased with the strong earnings growth in the first half of FY23 and we expect another full year of profitable growth. EBOS' balance sheet is strong and well positioned to pursue growth opportunities.

[8] Dividend payout ratio is based on a NZD:AUD average exchange rate of 0.914.

This media release, the half-year results and related materials were authorised for lodgement with NZX and ASX by the Board of EBOS Group Limited.

For further information, please contact:

Media:
New Zealand
Geoff Senescall
Senescall Akers
+64 21 481 234

Investor Relations:
Martin Krauskopf
EGM, Strategy, M&A and Investor Relations
EBOS Group
+61 3 9918 5555
martin.krauskopf@ebosgroup.com

Australia:
Patrick Rasmussen
PRX
+61 430 159 690

Financial Results Presentation webcast link:
https://edge.media-server.com/mmc/p/4y94szv5

About EBOS Group
EBOS Group Limited NZBN 9429031998840 (NZX/ASX Code: EBO) is the largest and most diversified Australasian marketer, wholesaler and distributor of healthcare, medical and pharmaceutical products. It is also a leading Australasian animal care brand owner, product marketer and distributor.

Appendix 1 – Reconciliation of Statutory to Underlying Results

	H1 FY23				H1 FY22			
$m	EBITDA	EBIT	PBT	NPAT	EBITDA	EBIT	PBT	NPAT
Statutory result	**289.2**	**226.0**	**192.6**	**132.2**	**199.9**	**161.3**	**147.5**	**101.9**
LifeHealthcare PPA amortisation (non-cash)	-	13.5	13.5	9.4	-	-	-	-
Transaction costs incurred on M&A	-	-	-	-	7.8	7.8	7.8	7.4
Underlying result	**289.2**	**239.5**	**206.1**	**141.6**	**207.7**	**169.1**	**155.3**	**109.3**

Underlying earnings for the 31 December 2022 period exclude the amortisation (non-cash) expense attributable to the LifeHealthcare acquisition purchase price accounting (PPA) of finite life intangible assets ($13.5m pre tax, $9.4m post tax). Underlying earnings for the 31 December 2021 period exclude transaction costs incurred on M&A ($7.8m pre tax, $7.4m post tax).

The PPA exercise has been undertaken in accordance with IFRS, including requiring the identification and recognition of intangible assets acquired separate from goodwill. As a result, exclusive supply contracts held by LifeHealthcare have been recognised ($341m) as a finite life intangible asset and are required to be amortised over a period of 13 years, with an annual amortisation charge of approximately $26m over that time. There is no cash impact to the Group from the $13.5m amortisation charge recognised for H1 FY23. Please refer to Note 10 of the 31 December 2022 Interim Financial Statements for further details.